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AUSTRALIA

The Governor General's dissolution of Parliament and appointment of opposition leader Malcolm Fraser as caretaker prime minister are designed to resolve the Australian political crisis by appealing to the electorate. A vitriolic political campaign, probably the bitterest in Australian history, is likely, with the election now expected on December 13.

Although Fraser has successfully unseated Whitlam, a tough political struggle is ahead. Whitlam and his Labor Party will focus their campaign on the question of constitutional authority in an effort to cloud such issues as government economic mismanagement and political scandals. By projecting an image that Labor is being victimized, Whitlam probably hopes to swing the necessary votes for reelection. The Labor Party is firmly united behind him.

In contrast, Fraser's Liberal - National Country coalition has been tarnished both by the constitutional crisis and by charges of overly close association with US officials. It will have difficulty exploiting the deeper domestic issues such as inflation and unemployment on which it will campaign. The depth of feelings on both sides could very well erupt in localized civil disorders, possibly including a general strike.

DIA review(s) completed.

State Dept. review completed

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ARGENTINA

An impeachment motion against President Maria Estela Peron, introduced late last week, is gaining support in congress. The motion charges gross incompetence as well as large-scale misuse of public funds.

At least three opposition political groupings have already lined up behind the motion, and the largest, the Radical Civic Union, seems to be moving in that direction. The parties allied with the Peronists in the governing coalition are said to favor impeachment, at least unofficially.

Recent schisms within the Peronist party may provoke defections from its congressional ranks that could ensure the passage of the motion. Late last week the party formally expelled Buenos Aires Governor Victorio Calabro, a prominent unionist and spokesman for those Peronists who oppose the President's rule. The US embassy reports that his ouster could well provide the 20 or so Peronist votes the measure apparently now lacks.

Peron's recent actions have led some to speculate that she is deliberately seeking to provoke a military coup and thus achieve a kind of martyrdom. She remains isolated in her hospital room, taking counsel only from a small clique of Lopez Rega's followers. At latest report, she was ignoring requests from cabinet members to meet with the cabinet and discuss government business.

Military leaders, who could at any time remove the President, hesitate to do so lest they incur widespread popular disaffection as they did two decades ago when they moved against Juan Peron. Indeed, military spokesmen have reportedly told influential civilians that they should not expect the armed forces to step in and provide a solution to the leadership problem. The spokesmen say that they will take over only if the government completely collapses; they added that if they are forced to do so they will not soon return power to the civilians.

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CHILE

The military government has chosen to avoid a possible diplomatic incident with the US at this time by allowing three US nuns to leave the country after they had secretly aided wounded Chilean terrorists. The government has also reportedly agreed to grant safe conduct to a US priest who was similarly involved.

The terrorists, including the two top leaders of the Movement of the Revolutionary Left, have sought asylum in two embassies. The chances for additional diplomatic and political complications remain high, since a British missionary doctor and a US-born Chilean priest remain in custody on similar charges; other clergy apparently involved in aiding the terrorists are being sought by security forces.

Chile's accommodating attitude toward the US nuns probably was designed at least in part to elicit a US abstention on a pending UN resolution condemning Chile for alleged human rights abuses. Even though President Pinochet is concerned about improving Chile's human rights image, he is not likely to extend safe conduct for the terrorists, especially since the government has announced the discovery of another alleged plot to attack military leaders and take over the government by force.

Pinochet would like to avoid forcing an open split with the Catholic Church at this time. Continued actions by either Chilean or foreign clergy to involve themselves with terrorists, however, even on purely humanitarian grounds, may well provoke a sterner government response in the future.

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SPANISH SAHARA

A high-level Moroccan delegation led by Prime Minister Osman went to Madrid yesterday to negotiate the details of a general understanding on Spanish Sahara.

The inclusion on the delegation of the director of Morocco's national phosphate company suggests that part of the talks will deal with either joint exploitation of or compensation for the rich phosphate deposits in northern Spanish Sahara.

Neither Rabat nor Madrid has commented on the talks now under way. Prime Minister Osman declined to make a statement on his arrival at the Madrid airport.

Press reports from Madrid suggest that Spanish officials are less optimistic about achieving a final agreement than are the Moroccans. Spain still wants the UN to play a role in resolving the Spanish Sahara dispute; Morocco wants to negotiate a settlement first and then seek the UN's blessing.

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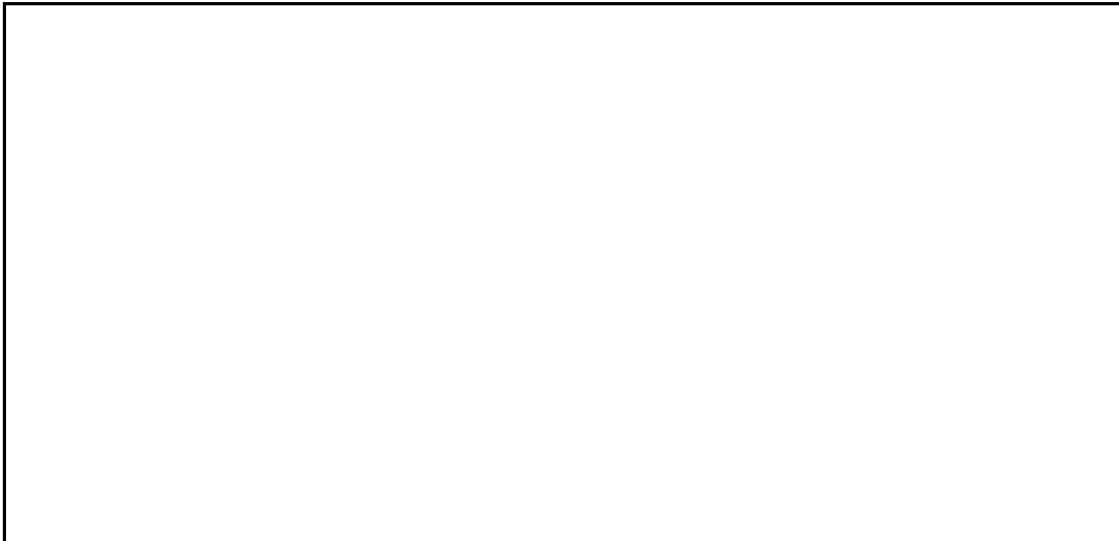
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TURKEY

For the second time in two weeks, Turkish General Staff chief Sancar has exhorted Prime Minister Demirel's fractious coalition government to face up to the country's pressing domestic and international problems.

The focal point of Sancar's latest expression of concern, on Sunday, was the epidemic of left-right student violence that has—in less than a month of the new academic year—once again threatened to close Turkey's major educational institutions. Several persons have already been killed and classes recessed at some universities. Sancar implied that the military could not tolerate government inaction if the violence leads to additional deaths.

There is no evidence at this time to suggest that Sancar's statement should be construed as anything but a stern warning to the government. There is at least one sign, however, that the military leadership is becoming increasingly disenchanted with what it sees as the politicians' penchant for playing politics at the expense of vital national concerns.



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USSR-UGANDA

Moscow's decision to sever relations with Kampala "temporarily" is an obvious Soviet effort to beat Ugandan President Amin to the diplomatic punch.

The mercurial Amin had threatened to break relations with the USSR unless a "high-powered emissary" from General Secretary Brezhnev arrived in Kampala by yesterday with a satisfactory explanation for the pressure the Soviets have put on Uganda to support the Popular Movement in Angola. Amin had also demanded the withdrawal of Moscow's ambassador—whom he labeled a criminal—from Kampala.

The Soviets clearly were not about to play Amin's game, despite the fact that they have been trying to build influence in Uganda since resuming aid in late 1973.



Moscow's reference to the temporary nature of the break suggests its chagrin over the turn of events and its interest in holding out the prospect of better relations in the future.

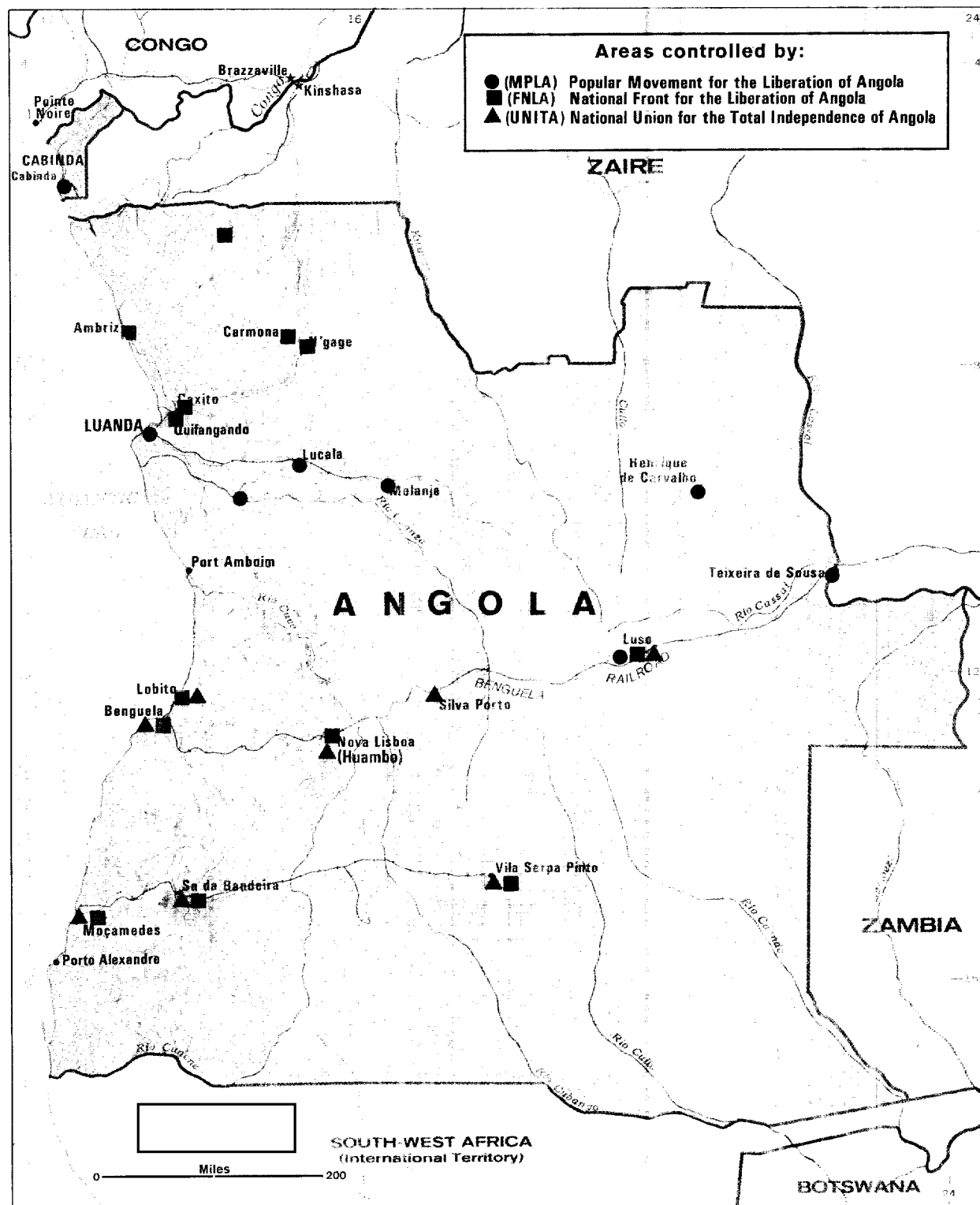


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ANGOLA

The Soviet-backed Popular Movement for the Liberation of Angola yesterday named its leader, Agostinho Neto, president of Angola.

The Neto government quickly received recognition from the USSR, Romania, Cuba, and several African states with long ties to the Popular Movement. A number of East European countries have expressed "readiness" to establish diplomatic relations with the new "People's Republic of Angola."

The Popular Movement's rivals—the National Front for the Liberation of Angola and the National Union for the Total Independence of Angola—marked independence and the inauguration of their joint provisional government in ceremonies at Nova Lisboa, the National Union's headquarters, and at Ambriz, the National Front's headquarters. The seat of the provisional government will be at Nova Lisboa, which has been renamed Huambo.

Despite the independence ceremonies, the two rival "governments" quickly resumed military activities. The Popular Movement dispatched an armor-reinforced troop column southward to meet an advancing National Front - National Union force advancing on Luanda. The force is still approximately 350 miles from the capital.

At Quifangondo the National Front, after almost three weeks, has still not been able to break through Popular Movement defenses.

In Cabinda, fragmentary information suggests that heavy fighting is taking place between the Popular Movement and Cabindan liberation forces. The inability of the Cabindan liberation forces to secure a quick victory in what was supposed to have been a surprise attack suggests that the Popular Movement may well be holding the upper hand.

The National Front and the National Union still hope they can win enough territory to force the Movement to compromise. The Popular Movement is likely to be less inclined to consider a political accommodation with its rivals, now that it has Cuban and Soviet recognition.

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ISRAEL

Public pronouncements in Israel in recent weeks lamenting its deteriorating trade situation and sounding the need for further belt-tightening exaggerate the short-term difficulties.

The government's austerity program, implemented in the summer of 1974, has achieved its goal of lowering consumption in the civilian sector. The still sizable current-account deficit is being covered by substantial assistance from the US and other capital inflows.

Since the austerity program was implemented, the government has devalued the Israeli pound by 40 percent, cut back non-essential budget outlays, and instituted wage and tax reforms. As a result of these policies, together with the worldwide recession, Israel's real gross national product fell 6 percent during the first half of 1975 compared with the same period in 1974, the first such decrease in nine years. Private per capita consumption, industrial output, and investment all fell.

The consumer price index cooled to a 12-percent annual rate during the first nine months of the year, compared with 30 percent in the same 1974 period. Despite the economic downturn, the unemployment rate at midyear was only 3.5 percent compared with 3 percent at yearend 1974. Increased emigration and frequent military callups have limited the number of workers looking for jobs.

Israel's current-account deficit in 1975, while manageable, is likely to reach a record \$3.7 billion. Exports, hindered by sluggish US and West European demand, should grow only 5 percent this year.

Israel will import \$2 billion in defense goods in 1975, 18 percent above the 1974 level and four times the 1973 prewar rate. At the same time, the economic slowdown has cut back growth in civilian imports.

The trade deficit is likely to increase by \$800 million in 1976 mainly because of higher military imports. This estimate assumes that non-military consumption will continue to be curtailed by Tel Aviv's restrictive policies. Civilian imports are likely to rise only 5 percent. Transfers and capital receipts, including US assistance, will also increase so that Israel will not need to draw down its foreign exchange reserves.

During recent cabinet-level deliberations on the fiscal 1976 budget, Finance Minister Rabinowitz took a tough stance on the need for increased austerity measures. This has led to rumors of more devaluations, reductions in government services, and new taxes. Major new measures will not be required if the pending US aid bill is funded at close to requested levels.

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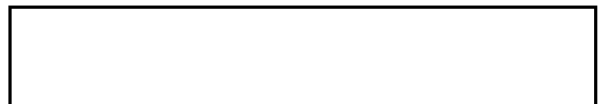
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